

PERRY COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2010

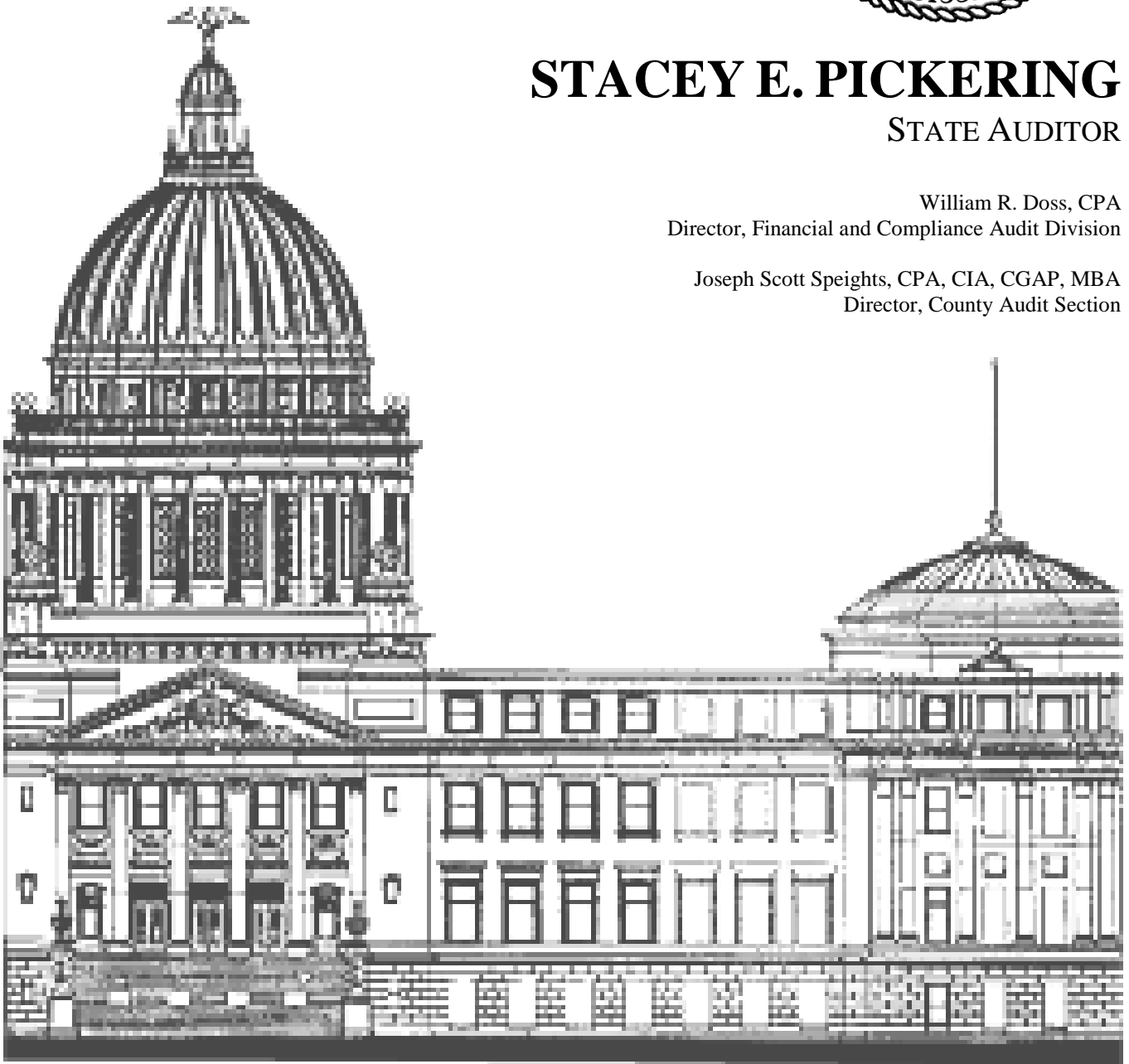


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

August 7, 2012

Members of the Board of Supervisors
Perry County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2010 financial and compliance audit report for Perry County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Perry County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Perry County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering
State Auditor

PERRY COUNTY

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PERRY COUNTY

FINANCIAL SECTION

PERRY COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Perry County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Perry County, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the county's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

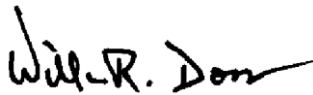
In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Perry County, Mississippi, as of September 30, 2010, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2012, on our consideration of Perry County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Perry County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedule and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Perry County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Will R. Doss". The signature is stylized with a large initial 'W' and a long, sweeping underline.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

August 7, 2012

PERRY COUNTY

FINANCIAL STATEMENTS

PERRY COUNTY

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PERRY COUNTY
Statement of Net Assets
September 30, 2010

Exhibit 1

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
ASSETS	
Cash	\$ 15,733,599
Property tax receivable	4,523,502
Fines receivable (net of allowance for uncollectibles of \$877,913)	143,807
Deferred charges - bond issuance costs	62,609
Intergovernmental receivables	79,919
Other receivables	197,133
Capital assets:	
Land	912,903
Other capital assets, net	20,114,609
Total Assets	<u>41,768,081</u>
LIABILITIES	
Claims payable	370,770
Intergovernmental payables	134,206
Accrued interest payable	77,897
Deferred revenue	4,523,502
Other payables	70,189
Long-term liabilities	
Due within one year:	
Capital debt	559,204
Due in more than one year:	
Capital debt	6,775,661
Non-capital debt	51,472
Total Liabilities	<u>12,562,901</u>
NET ASSETS	
Invested in capital assets, net of related debt	19,629,245
Restricted:	
Expendable:	
General government	108,108
Debt service	55,232
Public safety	284,117
Public works	2,724,462
Culture and recreation	370,043
Conservation of natural resources	75,751
Economic development	814,988
Unemployment compensation	138,696
Unrestricted	5,004,538
Total Net Assets	<u>\$ 29,205,180</u>

The notes to the financial statements are an integral part of this statement.

PERRY COUNTY
Statement of Activities
For the Year Ended September 30, 2010

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 2,876,804	288,599		6,352	(2,581,853)
Public safety	1,712,868	158,617	140,699	39,000	(1,374,552)
Public works	3,442,684		1,372,046	120,499	(1,950,139)
Health and welfare	503,033		343,321	466,365	306,653
Culture and recreation	100,735	925	3,000		(96,810)
Education	592,358		592,358		
Conservation of natural resources	38,896	346			(38,550)
Economic development and assistance	40,818				(40,818)
Interest on long-term debt	137,305				(137,305)
Total Governmental Activities	\$ 9,445,501	448,487	2,451,424	632,216	(5,913,374)
General revenues:					
Property taxes				\$	4,632,317
Road & bridge privilege taxes					156,868
Grants and contributions not restricted to specific programs					1,154,527
Unrestricted interest income					181,822
Miscellaneous					283,539
Total General Revenues					6,409,073
Changes in Net Assets					495,699
Net Assets - Beginning					28,709,481
Net Assets - Ending				\$	29,205,180

The notes to the financial statements are an integral part of this statement.

PERRY COUNTY
Balance Sheet - Governmental Funds
September 30, 2010

Exhibit 3

	<u>Major Funds</u>			
	<u>General Fund</u>	<u>2010 General Obligation Bridge Bond Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 4,913,941	5,936,598	4,883,060	15,733,599
Property tax receivable	2,167,749		2,355,753	4,523,502
Fines receivable (net of allowance for uncollectibles of \$877,913)	143,807			143,807
Intergovernmental receivables	57,869		22,050	79,919
Other receivables	116,226		80,907	197,133
Due from other funds			42,697	42,697
Total Assets	<u>\$ 7,399,592</u>	<u>5,936,598</u>	<u>7,384,467</u>	<u>20,720,657</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 72,257		298,513	370,770
Intergovernmental payables	127,884			127,884
Due to other funds	49,019			49,019
Deferred revenue	2,427,782		2,436,660	4,864,442
Other payables	70,189			70,189
Total Liabilities	<u>2,747,131</u>	<u>0</u>	<u>2,735,173</u>	<u>5,482,304</u>
Fund balances:				
Reserved for:				
Debt service			133,129	133,129
Unemployment compensation			138,696	138,696
Unreserved - undesignated, reported in:				
General Fund	4,652,461			4,652,461
Special Revenue Funds			4,377,469	4,377,469
Capital Project Funds		5,936,598		5,936,598
Total Fund Balances	<u>4,652,461</u>	<u>5,936,598</u>	<u>4,649,294</u>	<u>15,238,353</u>
Total Liabilities and Fund Balances	<u>\$ 7,399,592</u>	<u>5,936,598</u>	<u>7,384,467</u>	<u>20,720,657</u>

The notes to the financial statements are an integral part of this statement.

PERRY COUNTY

Exhibit 3-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2010

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 15,238,353
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$41,843,782.	21,027,512
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	143,807
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(7,386,337)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(77,897)
Some accrued receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	197,133
Deferred charges - bond issuance costs	<u>62,609</u>
Total Net Assets - Governmental Activities	\$ <u><u>29,205,180</u></u>

The notes to the financial statements are an integral part of this statement.

PERRY COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2010

	Major Funds			
	General	2010 General Obligation Bridge Bond Construction Fund	Other Governmental Funds	Total Governmental Funds
	Fund	Fund	Funds	Funds
REVENUES				
Property taxes	\$ 2,484,524		1,950,660	4,435,184
Road and bridge privilege taxes			156,868	156,868
Licenses, commissions and other revenue	127,618		5,552	133,170
Fines and forfeitures	163,076		3,265	166,341
Intergovernmental revenues	1,359,321		2,878,846	4,238,167
Charges for services	21,260		115,838	137,098
Interest income	84,453		97,369	181,822
Miscellaneous revenues	164,902		118,637	283,539
Total Revenues	4,405,154	0	5,327,035	9,732,189
EXPENDITURES				
Current:				
General government	2,454,835		346,727	2,801,562
Public safety	1,289,149		331,896	1,621,045
Public works			3,453,217	3,453,217
Health and welfare	220,587		1,076,457	1,297,044
Culture and recreation			94,171	94,171
Education	592,358			592,358
Conservation of natural resources	38,896			38,896
Economic development and assistance			40,818	40,818
Debt service:				
Principal	23,530		316,086	339,616
Interest	1,368		57,247	58,615
Bond issuance costs		63,402		63,402
Total Expenditures	4,620,723	63,402	5,716,619	10,400,744
Excess of Revenues over (under) Expenditures	(215,569)	(63,402)	(389,584)	(668,555)
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	47,732	6,000,000	418,768	6,466,500
Proceeds from sale of capital assets			5,926	5,926
Transfers in			22,306	22,306
Transfers out	(10,110)		(12,196)	(22,306)
Total Other Financing Sources and Uses	37,622	6,000,000	434,804	6,472,426
Net Changes in Fund Balances	(177,947)	5,936,598	45,220	5,803,871
Fund Balances - Beginning	4,830,408		4,604,074	9,434,482
Fund Balances - Ending	\$ 4,652,461	5,936,598	4,649,294	15,238,353

The notes to the financial statements are an integral part of this statement.

PERRY COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2010

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 5,803,871
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$1,570,199 exceeded depreciation of \$918,054 in the current period.	652,145
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$9,934 and the proceeds from the sale of \$5,926 in the current period.	(15,860)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	11,878
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds of \$6,466,500 exceeded debt repayments of \$339,616.	(6,126,884)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
The increase in compensated absences payable	(11,296)
The increase in accrued interest payable	(77,897)
The amortization of issuance costs of bonds	(793)
Under the modified accrual basis of accounting used in the Governmental Funds, costs associated with the issuance of bonds are reported as expenditures. However, in the Statement of Activities, the costs of issuing bonds are amortized over the life of the bond issue.	63,402
Under the modified accrual basis of accounting used in the Governmental Funds, only current financial resources are reported as revenues. However, in the Statement of Activities, which is presented on the accrual basis, revenues are reported when earned, regardless of when the revenues are available. Thus, the change in net assets differs from the change in fund balances by the amount of the revenues that were deferred in the Governmental Funds.	197,133
Change in Net Assets of Governmental Activities	\$ <u>495,699</u>

The notes to the financial statements are an integral part of this statement.

PERRY COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2010

Exhibit 5

		<u>Agency Funds</u>
ASSETS		
Cash	\$	648
Other receivables		3,474
Due from other funds		<u>6,322</u>
Total Assets	\$	<u><u>10,444</u></u>
LIABILITIES		
Intergovernmental payables	\$	<u>10,444</u>
Total Liabilities	\$	<u><u>10,444</u></u>

The notes to the financial statements are an integral part of this statement.

PERRY COUNTY

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PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Perry County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Perry County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county. There are no outside organizations that should be included as component units of the county's reporting entity.

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the county.

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year-end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

General Fund - This fund is used to account for all activities of the general government for which a separate fund has not been established.

2010 General Obligation Bridge Bond Construction Fund - This fund is used to account for the proceeds of general obligation bonds issued for the construction, reconstruction and repairing of roads, highways and bridges located in Perry County, Mississippi.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

E. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and-payables between funds within governmental activities are eliminated in the Statement of Net Assets.

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Perry County elected to report general infrastructure assets acquired after September 30, 1980, on the government-wide financial statements. Current year general infrastructure assets are reported on the government-wide financial statements as required. General infrastructure assets include all roads and bridges and other infrastructure assets.

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

I. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, Governmental Fund Types recognize bond issuance costs during the current period. The face amount of the debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved with unreserved classified as designated and undesignated.

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

K. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

L. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

M. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

(2) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2010, was \$15,734,247, and the bank balance was \$16,361,804. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2010:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
Other Governmental Funds	General	\$ 42,697
Agency Funds	General	6,322
Total		\$ 49,019

The receivables represent the tax revenue collected but not settled until October, 2010. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

Transfer In	Transfer Out	Amount
Other Governmental Funds	General Fund	\$ 10,110
Other Governmental Funds	Other Governmental Funds	12,196
Total		\$ 22,306

The principal purpose of interfund transfers was to provide funds for grant matches and to provide funds for operating expenses. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2010, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 44,527
State and community highway safety grant	5,099
Emergency management performance grants	8,243
Highway planning and construction	22,050
	<hr/>
Total Governmental Activities	\$ 79,919

(5) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2010:

Governmental activities:

	Balance Oct. 1, 2009	Additions	Deletions	Adjustments*	Balance Sept. 30, 2010
<u>Non-depreciable capital assets:</u>					
Land	\$ 912,903				912,903
<u>Depreciable capital assets:</u>					
Infrastructure	48,124,207	141,964			48,266,171
Buildings	6,058,952	818,797			6,877,749
Improvements other than buildings	50,000	27,247			77,247
Mobile equipment	4,575,254	104,191	102,983	218,215	4,794,677
Furniture and equipment	588,986	9,500	19,752		578,734
Leased property under capital leases	1,113,528	468,500		(218,215)	1,363,813
Total depreciable capital assets	<hr/> 60,510,927	<hr/> 1,570,199	<hr/> 122,735	<hr/> 0	<hr/> 61,958,391
<u>Less accumulated depreciation for:</u>					
Infrastructure	33,881,919	405,771			34,287,690
Buildings	2,532,910	111,515			2,644,425
Improvements other than buildings	16,000	3,090			19,090
Mobile equipment	3,775,926	167,688	89,098	225,631	4,080,147
Furniture and equipment	384,221	33,661	17,777		400,105
Leased property under capital leases	441,627	196,329		(225,631)	412,325
Total accumulated depreciation	<hr/> 41,032,603	<hr/> 918,054	<hr/> 106,875	<hr/> 0	<hr/> 41,843,782
Total depreciable capital assets, net	<hr/> 19,478,324	<hr/> 652,145	<hr/> 15,860	<hr/> 0	<hr/> 20,114,609
Governmental activities capital assets, net	<hr/> \$ 20,391,227	<hr/> 652,145	<hr/> 15,860	<hr/> 0	<hr/> 21,027,512

* Adjustments reflect the reclassification of paid-off capital leases.

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 64,757
Public safety	137,559
Public works	684,388
Health and welfare	24,786
Culture and recreation	<u>6,564</u>
 Total governmental activities depreciation expense	 \$ <u><u>918,054</u></u>

(6) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2010, to January 1, 2011. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(7) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2010:

<u>Class of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 1,363,813
Less: Accumulated depreciation	<u>412,325</u>
 Leased Property Under Capital Leases	 \$ <u><u>951,488</u></u>

The following is a schedule by years of the total payments due as of September 30, 2010:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 269,204	27,209
2012	267,836	18,520
2013	316,947	9,973
2014	78,482	2,045
2015	<u>32,396</u>	<u>517</u>
Total	\$ <u><u>964,865</u></u>	<u><u>58,264</u></u>

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

(8) Long-term Debt.

Debt outstanding as of September 30, 2010, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
Jail building bonds	\$ 370,000	5.80/6.00%	06-2014
General obligation road & bridge bonds	<u>6,000,000</u>	3.50/4.25%	06-2030
Total General Obligation Bonds	<u>\$ 6,370,000</u>		
B. Capital Leases:			
2007 Ford F-150 pickup	\$ 753	3.94%	11-2010
2007 Chevrolet Impala	1,856	4.20%	02-2011
2008 Crown Victoria	10,352	3.31%	06-2012
Garbage truck	58,291	3.21%	08-2013
2008 Kubota tractor	46,346	3.64%	07-2013
2008 Ford 4300 dump truck	35,403	3.46%	08-2013
2009 IHC dump truck	26,322	3.14%	06-2012
Caterpillar motor grader	63,296	3.21%	07-2013
2008 Kubota tractor	20,527	3.19%	07-2013
Caterpillar motor grader	148,478	3.29%	09-2013
Case tractor and boom mower	43,411	3.19%	08-2012
4300 International dump body	45,760	3.21%	04-2014
4300 International dump body	44,403	3.21%	04-2014
2010 Crown Victoria	20,059	3.10%	01-2014
2010 Crown Victoria	23,176	3.14%	08-2015
2011 International garbage truck	86,499	3.10%	03-2014
New Holland tractor	21,754	3.07%	04-2014
Kubota tractor	20,607	3.07%	04-2014
2010 International dump truck	52,952	3.10%	01-2014
2010 International dump truck	52,952	3.10%	01-2014
2011 Freightliner dump truck	70,834	3.14%	08-2015
2011 Freightliner dump truck	<u>70,834</u>	3.14%	08-2015
Total Capital Leases	<u>\$ 964,865</u>		

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

Year Ending September 30	General Obligation Bonds	
	Principal	Interest
2011	\$ 290,000	251,219
2012	305,000	237,406
2013	315,000	222,869
2014	330,000	208,369
2015	240,000	193,169
2016 – 2020	1,345,000	796,520
2021 – 2025	1,610,000	568,038
2026 – 2030	1,935,000	237,600
Total	\$ 6,370,000	2,715,190

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2010, the amount of outstanding debt was equal to 5.66% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2010:

	Balance Oct. 1, 2009	Additions	Reductions	Adjustments	Balance Sept. 30, 2010	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 40,176	11,296			51,472	
General obligation bonds	490,000	6,000,000	120,000		6,370,000	290,000
Capital leases	717,981	466,500	219,616		964,865	269,204
Total	\$ 1,248,157	6,477,796	339,616	0	7,386,337	559,204

Compensated absences will be paid from the fund from which the employees' salaries were paid, which are generally the General Fund and Road Maintenance Funds.

(9) Contingencies.

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

Litigation - The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

(10) No Commitment Debt (Not Included in Financial Statements).

No commitment debt is repaid only by the entities for whom the debt was issued and includes debt that either bears the county's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the county other than possibly an agreement to assist creditors in exercising their rights in the event of default. Because a default may adversely affect the county's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

Description	Balance at Sept. 30, 2010
Industrial revenue bonds	\$ 77,000,000

(11) Joint Ventures.

The county participates in the following joint ventures:

Perry County is a participant with the Counties of Covington, Greene and Stone in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Pine Forest Regional Library. The joint venture was created to provide free library service to the citizens of the respective counties, and is governed by a five-member board. Each county appoints one board member with the appointment of the fifth member rotating annually among the counties. By contractual agreement, the county's appropriation to the joint venture was \$74,924 in fiscal year 2010. Complete financial statements for the Pine Forest Regional Library can be obtained from P.O. Box 1208, Richton, MS 39476.

Perry County is a participant with the Counties of Covington and Jones, and the Cities of Hattiesburg, Laurel and Petal in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the Pine Belt Regional Solid Waste Authority. The joint venture was created to dispose of solid waste in members of the authority. The Perry County Board of Supervisors appoints one of the 12 members of the board of directors. The authority is funded by the user fees based on the volume of solid waste. Complete financial statements for the Pine Belt Regional Solid Waste Authority can be obtained from P.O. Box 1898, Hattiesburg, MS 39403.

Perry County is a participant with the Town of Richton in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Richton-Perry County Airport. The joint venture was created to provide an airport facility available for use by the general public. The five members of the board of directors are appointed as follows: Perry County, two; Town of Richton, two; jointly by Perry County and the Town of Richton, one. Complete financial statements for the Richton-Perry County Airport can be obtained from the City Hall at 208 Front South Street in Richton, Mississippi.

(12) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Mississippi Regional Housing Authority VIII operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The governing body is a 15-member board of commissioners, one appointed by the Board of Supervisors of each county and one appointed at large. The counties generally provide no financial support to the organization.

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

Pearl River Valley Opportunity, Inc., operates in a district composed of the Counties of Covington, Forrest, Jefferson Davis, Jones, Lamar, Marion, Pearl River and Perry. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Perry County Board of Supervisors appoints one of the 24 members of the board of directors. The primary source of funding for the entity is derived from federal funds. The county provides a modest amount of financial support when matching funds are required for federal grants.

Southeast Mississippi Air Ambulance District provides air ambulance services to the Counties of Covington, Forrest, Greene, Jefferson Davis, Marion, Pearl River, Perry, Stone and Walthall. The Perry County Board of Supervisors appoints one of the nine members of the board of directors. The county appropriated \$33,266 for support of the district in fiscal year 2010.

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Perry County Board of Supervisors appoints one of the nine members of the board of commissioners. The county provides only modest financial support of the entity.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Perry County Board of Supervisors appoints one of the 27 members of the board of directors. The county appropriated \$18,109 for the support of the district in fiscal year 2010.

Jones County Junior College operates in a district composed of the Counties of Clarke, Covington, Greene, Jasper, Jones, Perry, Smith and Wayne. The Perry County Board of Supervisors appoints two of the 20 members of the college board of trustees. The county appropriated \$273,681 for the maintenance and support of the college in fiscal year 2010.

(13) Defined Benefit Pension Plan.

Plan Description. Perry County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2010, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2010 was 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2010, 2009 and 2008 were \$277,866, \$263,633 and \$246,608, respectively, equal to the required contributions for each year.

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

(14) Subsequent Events.

Subsequent to September 30, 2010, the county issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>		<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
11/22/2011	2.50%	\$	24,523	Capital lease	Tax revenue
02/20/2012	2.09%		36,881	Capital lease	Ad valorem taxes
03/14//2012	2.09%		205,841	Capital lease	Ad valorem taxes
03/14/2012	2.01%		43,880	Capital lease	Ad valorem taxes
05/04/2012	2.09%		35,500	Capital lease	Ad valorem taxes
05/04/2012	2.13%		42,500	Capital lease	Ad valorem taxes
05/04/2012	2.09%		35,500	Capital lease	Ad valorem taxes
05/04/2012	2.09%		41,700	Capital lease	Ad valorem taxes
05/04/2012	2.09%		35,500	Capital lease	Ad valorem taxes
05/25/2012	2.24%		22,549	Capital lease	Ad valorem taxes
07/25/2012	2.19%		110,990	Capital lease	Ad valorem taxes

PERRY COUNTY

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PERRY COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

PERRY COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,471,280	2,477,732	2,477,732	
Licenses, commissions and other revenue	121,850	130,121	130,121	
Fines and forfeitures	119,900	156,835	156,835	
Intergovernmental revenues	1,072,442	1,586,979	1,586,979	
Charges for services	5,000	21,260	21,260	
Interest income		84,455	84,455	
Miscellaneous revenues	264,783	159,444	159,444	
Total Revenues	<u>4,055,255</u>	<u>4,616,826</u>	<u>4,616,826</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,292,573	2,354,982	2,354,982	
Public safety	1,337,667	1,232,059	1,232,059	
Public works	1,000			
Health and welfare	223,431	217,021	217,021	
Education	708,000	671,053	671,053	
Conservation of natural resources	49,483	39,521	39,521	
Debt service:				
Principal		22,755	22,755	
Interest		60,689	60,689	
Total Expenditures	<u>5,612,154</u>	<u>4,598,080</u>	<u>4,598,080</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(1,556,899)</u>	<u>18,746</u>	<u>18,746</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets		6,075	6,075	
Transfers in	82,205	79,109	79,109	
Transfers out	(152,520)	(99,219)	(99,219)	
Other financing sources	3,750,000			
Other financing uses	(2,122,786)			
Total Other Financing Sources and Uses	<u>1,556,899</u>	<u>(14,035)</u>	<u>(14,035)</u>	<u>0</u>
Net Change in Fund Balance		4,711	4,711	
Fund Balances - Beginning	<u>2,394,732</u>	<u>4,624,280</u>	<u>4,624,280</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 2,394,732</u>	<u>4,628,991</u>	<u>4,628,991</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

PERRY COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2010

A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund:

		<u>Governmental Fund</u>
		General Fund
Budget (Cash Basis)	\$	4,711
Increase (Decrease)		
Net adjustments for revenue accruals		(158,593)
Net adjustments for expenditure accruals		<u>(24,065)</u>
GAAP Basis	\$	<u><u>(177,947)</u></u>

PERRY COUNTY

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PERRY COUNTY

SUPPLEMENTAL INFORMATION

PERRY COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture - Forest Service/ Passed-through the Mississippi Department of Treasury Schools and roads - grants to states*	10.665	N/A	\$ <u>1,184,716</u>
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community development block grants/state's program*	14.228	08-056-PF-01	466,365
Home investment partnerships program*	14.239	M08-SG-280-254	<u>304,693</u>
Total U.S. Department of Housing and Urban Development			<u>771,058</u>
U.S. Department of Transportation - Federal Highway Administration/ Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	BR NBIS 070 B	26,160
Highway planning and construction	20.205	EFLF 0056 21 BO	<u>6,750</u>
Subtotal			<u>32,910</u>
National Highway Traffic Safety Administration/ Passed-through the Mississippi Department of Public Safety Division of Public Safety Planning Highway Safety Cluster State and community highway safety	20.600	10TA1561	<u>26,828</u>
Total U.S. Department of Transportation			<u>59,738</u>
U.S. Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency Emergency management performance grants	97.042	N/A	<u>16,069</u>
Total Expenditures of Federal Awards			\$ <u><u>2,031,581</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

* Denotes major federal award program

PERRY COUNTY

SPECIAL REPORTS

PERRY COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Perry County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Perry County, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the county's basic financial statements and have issued our report thereon dated August 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Perry County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

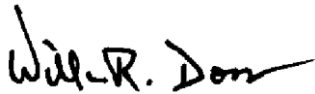
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 10-1, 10-2 and 10-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Perry County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 10-3.

Perry County's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Perry County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Doss".

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

August 7, 2012



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Supervisors
Perry County, Mississippi

Compliance

We have audited the compliance of Perry County, Mississippi with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. Perry County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Perry County, Mississippi's management. Our responsibility is to express an opinion on Perry County, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Perry County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Perry County, Mississippi's compliance with those requirements.

As described in item 10-8 in the accompanying Schedule of Findings and Questioned Costs, Perry County, Mississippi, did not comply with compliance requirements regarding special tests and provisions that are applicable to its Home Investment Partnerships Program. Compliance with such requirements is necessary, in our opinion, for Perry County, Mississippi, to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Perry County, Mississippi, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

Internal Control Over Compliance

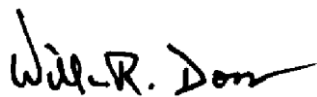
The management of Perry County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Perry County, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in a county's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 10-4 through 10-10 to be material weaknesses.

Perry County's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Perry County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

August 7, 2012



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Perry County, Mississippi

We have examined Perry County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with the Section 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2010. The Board of Supervisors of Perry County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Perry County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Perry County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2010.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of Perry County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Doss". The signature is fluid and cursive, with a long horizontal stroke at the end.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

August 7, 2012

PERRY COUNTY

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2010

Schedule 1

Our test results did not identify any purchases made from the lowest bidder.

PERRY COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2010

Schedule 2

Our test results did not identify any emergency purchases.

PERRY COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2010

<u>Date</u>	<u>Item Purchased</u>		<u>Amount Paid</u>	<u>Vendor</u>
02-23-2010	Software and training	\$	7,850	Delta Computer Systems

PERRY COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Perry County, Mississippi

In planning and performing our audit of the financial statements of Perry County, Mississippi for the year ended September 30, 2010, we considered Perry County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Perry County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated August 7, 2012, on the financial statements of Perry County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will. R. Dooss".

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

August 7, 2012

PERRY COUNTY

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PERRY COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PERRY COUNTY

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PERRY COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2010

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--------------------------------------------------------------|---------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | Yes |
| b. | Significant deficiencies identified? | None Reported |
| 3. | Noncompliance material to the financial statements noted? | Yes |

Federal Awards:

- | | | |
|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| 4. | Internal control over major programs: | |
| a. | Material weaknesses identified? | Yes |
| b. | Significant deficiencies identified? | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | |
| a. | Schools and roads – grants to states, CFDA #10.665 | Unqualified |
| b. | Community development block grants/state's program and non-entitlement grants in Hawaii, CFDA #14.228 | Unqualified |
| c. | Home investment partnerships program, CFDA #14.239 | Qualified |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section __.510(a) of OMB Circular A-133? | Yes |
| 7. | Federal programs identified as major programs: | |
| a. | Schools and roads – grants to states, CFDA #10.665 | |
| b. | Community development block grants/state's program and non-entitlement grants in Hawaii, CFDA #14.228 | |
| c. | Home investment partnerships program, CFDA #14.239 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No |

PERRY COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2010

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

- 10-1. The County should establish controls to ensure preparation of the financial statements.

Finding

A critical aspect of effective financial management is the preparation of accurate financial statements. As reported in the prior three years' audit reports, management did not have personnel who possessed the necessary training to prepare financial statements in accordance with generally accepted accounting principles. Perry County's accounting records are maintained on the cash basis and the auditors assisted the county in the preparation of accrual entries and the primary government financial statements. However, the County has made all management decisions including approving accrual entries, designating an individual with a basic understanding of the financial statements and related note disclosures to oversee the financial statement preparation, evaluating the adequacy and results of the services performed and accepting responsibility for the results of the services.

Recommendation

The Board of Supervisors should establish adequate controls and procedures to ensure that financial statements in accordance with generally accepted accounting principles.

Tax Assessor-Collector.

Material Weakness

- 10-2. The Tax Assessor-Collector should establish controls over the settlement of taxes.

Finding

An effective system of internal control over cash includes properly settling all taxes collected to the proper authorities. As reported in the prior year audit report, we noted that there was an unidentified overage of cash in the Tax Assessor-Collector's bank account, compared to the cash journal, at the fiscal year-end. As of September 30, 2010, the amount of the unidentified overage is \$39,845. Failure to have adequate controls over cash settlements could result in the loss or misappropriation of public funds.

Recommendation

The Tax Assessor-Collector should take steps to determine the origin of these unidentified funds. She should settle any funds that cannot be identified to the General Fund of the county. In the future, the Tax Assessor-Collector should ensure that all taxes collected are settled to the proper authorities.

PERRY COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2010

Material Weakness

Material Noncompliance

10-3. The Tax Assessor-Collector should establish controls to ensure taxes are collected.

Finding

Section 27-41-1, Mississippi Code Ann. (1972), specifies that all state, county, school, road, levee and other taxing districts assessed or levied shall be due, payable and collectible by the Tax Collector on or before the first day of February next succeeding the date of the assessment and levying of such taxes. The Tax Assessor-Collector failed to collect the 2009 personal property taxes on all applicable tax levies for one public utility. This error resulted from the omission of certain tax levies in the tax collection and settlement system of the county for this public utility at the beginning of the year. The Tax Collector's system of internal controls was not sufficient to detect this problem in a timely manner. Failure to input the proper information in the tax collection and settlement system at the beginning of the fiscal year resulted in ad valorem taxes in the amount of \$200,607 not being collected. An adjustment was proposed by the auditor and made by the county to record a receivable from the public utility for this uncollected amount of ad valorem taxes.

Recommendation

The Tax Assessor-Collector should establish adequate controls over the tax collection and settlement system to ensure that proper information is entered into the system each year in order to correctly collect and settle ad valorem taxes. She should also seek payment from the public utility for \$200,607 for the taxes not collected.

Section 3: Federal Award Findings and Questioned Costs

10-4. The County should establish controls to ensure fifty percent of National Forest Distribution Title I Funds are settled to the schools.

10.665 Schools and Roads – Grants to States
Grant number: N/A, U.S. Department of Agriculture – Forest Service/
Passed-through the Mississippi Department of Treasury

Material Weakness

Compliance Requirement: Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Finding

During fiscal year 2010, Perry County received \$1,184,716 in National Forest Distribution Title I funds, a portion of the Secure Rural Schools Act State payments, which are to be used to benefit public schools and public roads in counties where national forests are located. Upon receipt of these funds, fifty percent of the total received should be settled to the county's public school. During our audit testing procedures, we noted that the county received a total of 14 National Forest Distribution Title I payments during fiscal year 2010; however, five of these payments were not properly settled to Perry County Schools. The county's lack of adequate internal controls resulted in an overstatement of county revenues in the amount of \$24,567.

PERRY COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2010

Recommendation

The Perry County Board of Supervisors should take the necessary steps to ensure that fifty percent of the total National Forest Distribution Title I funds received are properly settled to the county's public school.

10-5. The County should establish controls to ensure that inspections and acceptance of work are performed according to grant agreement

14.239 Home Investment Partnerships Program
Grant number: M08-SG-280-254, U.S. Department of Housing and Urban Development/
Passed-through the Mississippi Development Authority

Material Weakness

Compliance Requirement: Special Tests and Provisions

Finding

The *Perry County Board of Supervisors Home Program Rehabilitation Policies, Procedures and Guidelines*, which are required as a special condition of the grant agreement, require that a Mississippi Home Inspector Board Licensed inspector with a New Home (NH) designation make interim inspections to ensure that the rehabilitation is performed according to contracts. These interim inspections shall also be made to verify the progress of the work before progress payments are made. The Mississippi Home Inspector Board Licensed inspector with a New Home (NH) designation, grant administrator and homeowner shall make the final acceptance of rehabilitation work. Copies of inspection reports are required to be maintained in project files.

During our audit testing procedures, we noted no evidence that control procedures were in place to ensure that an adequate number of interim inspections were made of the work performed and that the reconstruction was performed in accordance with the contracts. The only evidence of the interim inspections was invoices for payment; no details were provided as to the quality of work or quality of materials used and percent of completion.

We also noted no evidence that control activities were in place to ensure that the Mississippi Home Inspector Board Licensed Inspector with a New Home (NH) designation, grant administrator, homeowner and MDA representative made the final acceptance of the rehabilitation work. There was no signed certificate of completion indicating the homeowner's satisfaction with the construction nor was there a signed application for final payment indicating the homeowner's approval for the final payment to the contractor. Only three (3) files contained a signed certification of completion signed by the homeowner and grant administrator only.

As a result, substandard work could have been performed or substandard materials could have been used in the reconstruction of these homes. Also as a result, final payment could have been made to the contractor without the homeowner's knowledge and consent.

Recommendation

The Perry County Board of Supervisors should take steps to ensure that controls are in place over inspections and acceptance of work performed by requiring two or more interim inspections be performed during the reconstruction of homes and ensuring that the time frame for the completed work is reasonable. The Board of Supervisors should also ensure that the homeowner signs a certificate of completion and application for final payment to indicate their approval of the work performed and their authorization of the final payment to the contractor.

PERRY COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2010

- 10-6. The County should establish controls to prevent the transfer of property to someone who is not HOME eligible.

14.239 Home Investment Partnerships Program
Grant number: M08-SG-280-254, U.S. Department of Housing and Urban Development/
Passed-through the Mississippi Development Authority

Material Weakness

Compliance Requirement: Special Tests and Provisions

Finding

In the State of Mississippi Home Investment Partnerships Program Assurances included in the HOME program grant agreement, the county assures and certifies that it will comply with the applicable requirements of the *Code of Federal Regulations* Title 24 CFR Section 92.504 concerning affordability. It specifies that the agreement with the homeowners must require housing assisted with HOME funds to meet the affordability requirements of Title 24 CFR Section 92.252 or 92.254 and must require repayment of the funds if the housing does not meet the affordability requirements for the specified time period. This is required to be done in the form of deed restrictions, liens, or covenants on the land.

During our audit testing procedures, we noted no evidence that control activities were in place to ensure that deed restrictions were placed on the homes as required. There was also no evidence of liens or covenants on the land. Three (3) contracts acknowledging the period of affordability were signed by the HOME assistance recipients and included in the file. As a result, there were no restrictions in place to ensure that HOME funds would be repaid if the house was sold or ownership otherwise transferred to someone who was not HOME eligible.

Recommendation

The Perry County Board of Supervisors should take steps to ensure that the required deed restrictions, liens, or covenants are filed in order to prevent the transfer of the property during the period of affordability to someone who is not HOME eligible.

- 10-7. The County should establish controls to ensure applicants are evaluated and ranked according to priority.

14.239 Home Investment Partnerships Program
Grant number: M08-SG-280-254, U.S. Department of Housing and Urban Development/
Passed-through the Mississippi Development Authority

Material Weakness

Compliance Requirement: Special Tests and Provisions

Finding

The *Perry County Board of Supervisors Home Program Rehabilitation Policies, Procedures and Guidelines*, which are required as a special condition of the grant agreement, specify that applicants shall be ranked according to priority based on very low-income households and homes most in need of repairs. Title 24 CFR Section 92.508 specifies that all participating jurisdictions must maintain records for each family assisted.

PERRY COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2010

During our audit testing procedures, we noted no evidence that control activities were in place to ensure that applicants were ranked and chosen according to priority. Only the applications of those selected for participation in the HOME program and submitted to MDA were included in the file. As a result, there was no documentation to support that applicants receiving HOME program assistance were those of the highest priority.

Recommendation

The Perry County Board of Supervisors should take steps to ensure that controls are in place to ensure that applicants both applying for and receiving assistance are evaluated and ranked according to priority areas established in the *Perry County Board of Supervisors Home Program Rehabilitation Policies, Procedures and Guidelines* and supporting documentation is retained in the file.

10-8. The County should establish controls to ensure reliable and qualified contractors are selected for home rehabilitation.

14.239 Home Investment Partnerships Program
Grant number: M08-SG-280-254, U.S. Department of Housing and Urban Development/
Passed-through the Mississippi Development Authority

Material Weakness

Material Noncompliance

Compliance Requirement: Special Tests and Provisions

Finding

The *Perry County Board of Supervisors Home Program Rehabilitation Policies, Procedures and Guidelines* which are required as a special condition of the grant agreement, specify the requirements governing all contracts for home rehabilitation. The following items are required:

- (1) All contracts for home rehabilitation shall be made between the homeowner and the contractor. The grant administrator shall prepare bid packages to assist homeowners in the solicitation of bids from approved contractors. The homeowner shall make the final selection and award the contract to the bidder that possesses the ability to perform successfully under all material terms and conditions of the bid package and whose bid is lowest and best in price.
- (2) Contractors must submit information to the grant administrator for review of qualifications to be considered an approved contractor. At a minimum, contractors must provide two (2) references of contracted work within the previous 12 months including the amount and type of contract, two (2) credit references, preferably from a bank or building materials supplier, certificate of liability insurance and worker's Certificate of Responsibility, and a copy of State of Mississippi contractor's license.

During our audit testing procedures, we noted no evidence that control activities were in place to ensure that bids were solicited for contracts for home rehabilitation. Also, we noted no evidence that control procedures were in place to ensure that the contractors submitted the required information to the grant administrator. As a result, an excessive amount may have been paid for the reconstruction of the applicant's home and unreliable or unqualified contractors may have been selected.

PERRY COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2010

Recommendation

The Perry County Board of Supervisors should take steps to ensure that the homeowner solicits bids for the rehabilitation of their home in order to obtain the lowest and best price possible. The Board of Supervisors should ensure that all bids received are properly documented and tabulated and that any amounts in excess of the lowest bid are paid for by the homeowner. Also, the Perry County Board of Supervisors should take steps to ensure that all contractors solicited submit the required information to the grant administrator and that this information is retained in the grant files. The Board of Supervisors should also ensure that only contractors with valid Mississippi contractor's licenses are allowed to enter into contracts with homeowners for the rehabilitation of their homes and that payments made from HOME funds are to licensed contractors only.

10-9. The County should establish controls to ensure that only eligible applicants receive HOME Program assistance.

14.239 Home Investment Partnerships Program
Grant number: M08-SG-280-254, U.S. Department of Housing and Urban Development/
Passed-through the Mississippi Development Authority

Material Weakness

Compliance Requirement: Eligibility

Finding

Perry County Board of Supervisors Home Program Rehabilitation Policies, Procedures and Guidelines specifies that only low-income or very-low income persons, as defined in the *Code of Federal Regulations* Title 24 Section 92.2, can receive housing assistance. Title 24 CFR Section 92.203 specifies that annual income shall include income from all family members. Furthermore, the *Perry County Board of Supervisors Home Program Rehabilitation Policies*, which are required as a special condition of the grant agreement, require that family surveys be conducted to determine the number of household members and their annual income, the combined incomes of all family members shall be used to determine that income limits are met, and the unit must be owned and occupied at least one (1) year prior to application date.

During our audit testing procedures, we noted no evidence that control activities were in place to ensure that:

- (1) All family members were identified and their income included in determining income eligibility for the HOME program.
- (2) Family surveys had been conducted and all family members residing in the household had been identified and their annual incomes included in determining that income limits were met for the HOME program.
- (2) Units were occupied at least one (1) year prior to the date of application. Title searches were performed to verify ownership of the properties. Only copies of deed were included in applicant files.

As a result, some families may have received HOME program assistance that were not income eligible.

Recommendation

The Perry County Board of Supervisors should take steps to ensure that controls are in place to ensure that only eligible applicants receive HOME program assistance by:

PERRY COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2010

- (1) Ensuring that all family members have been identified and their incomes have been included in determining if the family is income eligible for HOME program assistance. We also recommend that the Perry County Board of Supervisors require applicants to sign documentation stating that all family information provided, including names, ages, social security numbers, and income, is complete and accurate.
 - (2) Ensuring that family surveys have been conducted and all family members residing in the household have been identified and their annual incomes included in determining income limits for HOME program assistance have been met. We also recommend that the Board of Supervisors require applicants to sign a certification that all of the information provided in the survey is complete and accurate.
 - (3) Ensuring that applicants have occupied the property at least one (1) year prior to application for HOME program assistance.
- 10-10. The County should establish controls to ensure reconstruction of homes is performed in compliance with applicable codes and standards.

14.239 Home Investment Partnerships Program
Grant number: M08-SG-280-254, U.S. Department of Housing and Urban Development/
Passed-through the Mississippi Development Authority

Material Weakness

Compliance Requirement: Special Tests and Provisions

Finding

In the State of Mississippi Home Investment Partnership Program Assurances included in the HOME program grant agreement, the county assures and certifies that it understands that project activities shall comply with applicable codes and standards approved by the Southern Building Code Congress International, Inc., Model Energy Codes, MDA, or locally adopted codes, whichever is more stringent.

During our audit testing procedures, we noted no evidence in the grant files that control activities were in place to ensure that reconstruction of homes was in compliance with these standards as required. While the construction unit specifications required that all electrical, plumbing, mechanical and carpentry construction be done to Southern Building Code requirements and the contracts referenced these specifications, there were no documents certifying that these units were in compliance with the Southern Building Code. As a result, the reconstruction of these homes may not be in compliance with the Southern Building Code, as required.

Recommendation

The Perry County Board of Supervisors should take steps to ensure that the reconstruction of these homes is performed in compliance with the Southern Building Code and certifications should be included in the file.

PERRY COUNTY

AUDITEE'S CORRECTIVE ACTION PLAN

Perry County, Mississippi
P.O. Box 345
New Augusta, Mississippi 39462
Phone No. (601) 964-8370
Fax No. (601) 964-8265

CORRECTIVE ACTION PLAN

August 7, 2012

Office of the State Auditor
501 N. West Street, Suite 801
Jackson, Mississippi 39201

Gentlemen:

Perry County respectfully submits the following corrective action plan for the year ended September 30, 2010.

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section 1: Summary of Auditor's Results, does not include findings and is not addressed.

SECTION 2: FINANCIAL STATEMENT FINDINGS

10-1 Corrective Action Planned:

Perry County is working to resolve this issue.

Anticipated Completion Date:

September 30, 2012

Name of Contact Person Responsible for Corrective Action:

Natalie Harvison, (601) 964-8370

10-2 Corrective Action Planned:

After a thorough search for the \$39,845, I was unable to locate. When the FINAL settlement is made in January, 2012 all excess money will be turned over to the County General Fund.

Anticipated Completion Date:

January 31, 2012

Name of Contact Person Responsible for Corrective Action:

Linda Carroll (previous Tax Assessor-Collector), (601) 964-8370

10-3 Corrective Action Planned:

Linda Carroll, former Tax Collector, obtained payment plus interest in the amount of \$200,606.81. This money was receipted into the County Depository on 5-12-11 (Receipt #8258).

Anticipated Completion Date:

May 12, 2011

Name of Contact Person Responsible for Corrective Action:

Natalie Harvison, (601) 964-8370

SECTION 3: FEDERAL AWARD FINDINGS

10-4 Corrective Action Planned:

A check will be issued on January 31, 2012 in the amount of \$24,566.94 payable to the Perry County School Board. New procedures have been implemented that should prevent this from happening in the future.

Anticipated Completion Date:

January 31, 2012

Name of Contact Person Responsible for Corrective Action:

Natalie Harvison, (601) 964-8370

10-5 Corrective Action Planned:

All recommendations will be complied with.

Anticipated Completion Date:

September 30, 2012

Name of Contact Person Responsible for Corrective Action:

Natalie Harvison, (601) 964-8370

10-6 Corrective Action Planned:

Perry County will implement procedures to ensure that restrictions are in place to prevent the transfer of the property during the period of affordability to someone who is not HOME eligible.

Anticipated Completion Date:

September 30, 2012

Name of Contact Person Responsible for Corrective Action:

Natalie Harvison, (601) 964-8370

10-7 Corrective Action Planned:

Perry County will comply with this recommendation.

Anticipated Completion Date:

September 30, 2012

Name of Contact Person Responsible for Corrective Action:

Natalie Harvison, (601) 964-8370

10-8 Corrective Action Planned:

Perry County will comply with this recommendation, by implementing new procedures to verify these recommendations.

Anticipated Completion Date:

September 30, 2012

Name of Contact Person Responsible for Corrective Action:

Natalie Harvison, (601) 964-8370

10-9 Corrective Action Planned:

Perry County will implement procedures to ensure that family members and their incomes, along with occupancy for (1) year prior to date of application and title searches are included in applicants' files if and when we become eligible for future grants.

Anticipated Completion Date:

September 30, 2012

Name of Contact Person Responsible for Corrective Action:

Natalie Harvison, (601) 964-8370

10-10 Corrective Action Planned:

Perry County will verify compliance with the Southern Building Code and Certificates will be included in the files.

Anticipated Completion Date:

September 30, 2012

Name of Contact Person Responsible for Corrective Action:

Natalie Harvison, (601) 964-8370